

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
NOVEMBER 30, 1998 & DECEMBER 1, 1998
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

The Illinois Gaming Board convened in regular session on Monday, November 30, 1998 at the La Luce Restaurant, 1393 W. Lake Street in Chicago. The Board and its senior staff dined together prior to the meeting.

At 7:55 p.m., Chairman Johnson convened the meeting with all members in attendance. Member Pyatt moved **that the Board retire to Closed Session pursuant to Section 2(c), paragraphs (1), (4), (11), (14) and (21) of the Open Meetings Act, to discuss the following subject matters:**

- 1. Issues Concerning Applicants and Licensees**
- 2. Recommendations of Administrative Law Judges**
- 3. Litigation**
- 4. Investigatory Matters**
- 5. Personnel Matters**
- 6. Closed Session Minutes**

Member Scrogum seconded the motion. The Board adopted the motion by unanimous consent.

The closed session meeting ended at 8:13 p.m.

The Board reconvened its meeting on December 1, 1998 in the State of Illinois Building, 160 N. LaSalle Street, C500, Chicago, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120.

The following Board Members were present: J. Thomas Johnson, Chairman; and Members William B. Browder, Gayl S. Pyatt, Terry A. Scrogum and Robert F. Vickrey.

Also in attendance were: Administrator Michael A. Belletire, Deputy Administrators Joseph C. Haughey, Allan S. McDonald and Thomas F. Swoik, Chief Legal Counsel Mareile' B. Cusack, other members of the staff, the media, the general public and interested parties.

Chairman Johnson called the meeting to order at 9:30 a.m. Member Browder moved **that the Board retire to Closed Session pursuant to Section 2(c), paragraphs (1), (4), (11), (14) and (21) of the Open Meetings Act, to discuss the following subject matters:**

1. **Issues Concerning Applicants and Licensees**
2. **Recommendations of Administrative Law Judges**
3. **Litigation**
4. **Investigatory Matters**
5. **Personnel Matters**
6. **Closed Session Minutes**

Member Scrogum seconded the motion. The Board adopted the motion by unanimous consent.

The Board convened in Open Session at 12:38 p.m.

Board Minutes

Member Vickrey moved **that the Board approve the minutes from the open and closed sessions of the October 20, 1998 regular meeting.** Member Scrogum seconded the motion. The Board approved the motion unanimously by voice vote.

Chairman's Report

Chairman Johnson reported that Board members gathered on November 30 for a social event. Board members, spouses and several of the staff dined together at a local restaurant. The Board did convene a formal meeting, retiring to closed session for approximately 30 minutes. No formal public action was taken. The Chairman stated that Board members and staff informally discussed the 1999 Board meeting schedule, possible projects for the upcoming year, and the latest potential legislation in Springfield.

The Chairman further reported that Governor Edgar nominated Gayl Pyatt for appointment to the University of Illinois Board of Trustees. He stated that Gayl has harbored a desire, for years, to serve her alma mater as a Trustee. Gayl has received awards for her service and dedication to the University of Illinois and more generally to higher education. The Chairman noted that Gayl is known for her tireless work on the Board of the University of Illinois Foundation. The Board thanked Gayl for her many years of service.

Member Pyatt stated that she has been very proud to serve on the Illinois Gaming Board and appreciates the dedicated and hard working staff of the Board, her fellow Board members and the licensees.

The Chairman further reported that:

- The Governor has acted to fill the Board vacancy that will be created when the Senate confirms Gayl's appointment. The Governor has nominated Joseph Tecson, a well-known attorney and public servant to fill this position.
- Joe Tecson and his wife joined the Board for dinner last evening.

- The Administrator requested an additional discussion item be added to the policy section of the Agenda. The Administrator will give a brief report regarding requests received to authorize new games to be approved for use in Illinois.
- Mikohn Gaming, Inc. listed on the agenda under Supplier Licensees will be taken up in conjunction with a proposed Board action on a pending complaint involving PGI, which has been acquired by Mikohn.

Administrator's Report

Administrator Belletire summarized the following October monthly statistical reports: Adjusted Gross Receipts; Underage Patrons; Cruise Disruptions/Cancellations; Credit Issuance; and Internal Control System changes.

The Administrator noted that the November figures were not calculated in time for the meeting but once the figures are finalized the distinguishing feature will be the remarkable monthly total registered by Empress. Empress will likely finish the month with a \$16-plus million AGR -- between 20 and 25 percent above their "post-Indiana" average. The noteworthy element of this increase by Empress is the fact that it results from a mistake -- one that is very costly to Empress, though profitable to the State.

The Administrator also reported that:

- He authored for the Board background information on current and projected Board priorities, concerns and projects.
- Effective November 1, Allan McDonald was appointed as Deputy Administrator of the Audit and Financial Analysis Bureau of the agency. Al has served in this capacity on an acting basis since April, 1998.
- Staff met with General Managers and discussed the development of a uniform employment application. Staff is refining the form and hopes to present it to the Board at the January meeting.

The Chairman asked if a column could be added to the monthly revenue comparison data reflecting state tax share. The Administrator stated that the additional information would be included on the reports in the future.

Owner Licensee Items

PAR-A-DICE GAMING COMPANY ("PGC") – David Daley, representing PGC, requested initial consideration for a waiver of Board rule 3000.510. PGC intends to remain dockside to perform "top-end" overhauls on its generators and to perform its dry dock inspection examination. The overhaul work is tentatively scheduled for late January/early February and the hull inspection is scheduled to begin in early March.

ALTON GAMING COMPANY (“AGC”) – Brenda Bauer, representing AGC, requested approval of James Perry as a Key Person.

Member Pyatt moved **that the Board approve James B. Perry as a Key Person of Argosy Gaming Company.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

ELGIN RIVERBOAT RESORTS (“ERR”) – Donna More, representing ERR, requested approval of Nicholas Pritzker as a Key Person.

Member Scrogum moved **that the Board approve Nicholas J. Pritzker as a Key Person of Elgin Riverboat Resorts.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

Supplier Licenses

PRATT MANAGEMENT LP (“PMLP”) – Edward Pratt, III, representing PMLP, requested renewal of PMLP’s supplier license. Mr. Pratt described recent efforts by Hollywood Casino Corporation (“HCC”) to acquire or improve its control over the limited partnership interests of PMLP. The opportunity for HCC to gain an improved position is the result of the on-going bankruptcy proceedings involving various “Sands-related” subsidiaries of the Greate Bay Casino Corporation. Mr. Pratt provided a brief summary of the details of a complex set of inter-company financial negotiations. He indicated a continued commitment to meet the Board’s objective of ending the need for PMLP to hold a supplier’s license.

Chairman Johnson asked Mr. Pratt questions about the nature and structure of the management agreement between the Atlantic City Sands casino and the subsidiaries of Greate Bay Casino Corporation. Mr. Pratt and John Hull, Chairman of Greate Bay, described the differences between the Sands management agreement and the PMLP-HCC agreement.

Member Browder moved:

WHEREAS, since December of 1995 the Board has repeatedly communicated to Hollywood Casino Aurora (“HCA”) and Pratt Management, LP (“PMLP”) its concerns regarding the percentage-based fee charged by PMLP to HCA; and,

WHEREAS, the PMLP management fee provides credit support for certain notes issued by a subsidiary of Greate Bay Casino Corporation; and,

WHEREAS, due to the existence of such notes, PMLP was previously not able to eliminate the percentage-based fee until the stated maturity of the notes in the year 2004; and,

WHEREAS, such notes are in default as a result of the recent bankruptcy of the Sands Hotel and the restructuring of these notes may provide Hollywood Casino Corporation with the future opportunity to eliminate the PMLP management fee; and,

WHEREAS, the Board is deeply concerned with the continued distribution of HCA's revenue to the benefit of persons not involved in the company's ownership or management.

NOW THEREFORE BE IT RESOLVED, that the Board moves to renew PMLP's Supplier's license for a period of one year, expiring December of 1999. In renewing this license, the Board orders PMLP to show cause prior to the next renewal as to why the Board should continue to renew PMLP's Supplier's license.

Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Occupational Licenses

Member Pyatt moved **that the Board approve 128 applications for an Occupational License, Level 2, and 264 applications for an Occupational License, Level 3.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Administrative Hearings/ALJ Reports

Having reviewed the staff report, Member Scrogum moved **that the Board deny Cassandra Cooper's hearing request due to her failure to comply with Board rule 3000.405(c).**

He further moved that, pursuant to Board rule 3000.245(f), the Board grant Cheryl Helfrich's request to reapply for an occupational license. Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

Complaints & Disciplinary Actions

Member Vickrey moved **that the Board issue a disciplinary complaint against Gloria Rodriguez and revoke her occupational license.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

PROGRESSIVE GAMES, INC (“PGI”)/MIKOHN – Administrator Belletire stated that in July of 1998 a complaint was issued totaling \$30,000 in fines against PGI for violating the previous Board order regarding marketing of new games in Illinois. After the complaint was entered Mikohn Gaming acquired PGI. Mikohn requested a hearing and asked to settle the case. Staff recommend that an alternate complaint be issued and a \$10,000 fine be substituted for the \$30,000 fine. The Administrator clarified that it was not Mikohn who was in charge at the time that the complaint occurred. He further stated that Mikohn would now like to do business in Illinois marketing products previously owned by PGI.

Member Scrogum moved **that the Board approve PGI’s request to withdraw its supplier’s license, contingent upon PGI’s payment of the fine associated with complaint number 98-13.**

I further move to approve Mikohn’s request to amend its product list to include Caribbean Stud Poker on the list of supplies Mikohn is authorized to provide to Illinois owner licensees.

Further, I move to clarify that Mikohn is not subject to the restrictions imposed on PGI by the Board on February 17, 1998.

Moreover, I move to direct Mikohn to work with the Administrator to seek approval of any other products or games Mikohn wishes to distribute to Illinois owner licensees.

Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

Member Pyatt moved **to amend disciplinary complaint number 98-13 issued against Progressive Games, Inc. (“PGI”). The amended complaint reflects one violation by PGI with a total fine of \$10,000 for PGI’s violation of the Board’s February 1998 order regarding PGI’s marketing of new games to Illinois owner licensees.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

CASINO ROCK ISLAND

Member Vickrey moved **that the Board issue a disciplinary complaint against Casino Rock Island and fine the licensee in the amount of \$5,000.00. The complaint involves Casino Rock Island’s violation of its Internal Controls regarding repayment of credit and failure to comply with the Board’s rules regarding computer monitoring of electronic gaming devices.** Member Scrogum seconded the motion. The Board approved the motion unanimously by voice vote.

Board Policy Items

NEW GAMES REQUEST – Administrator Belletire stated that he received a request from AGC for the approval of two new games -- Spanish 21 and Three Card Poker. Staff is reviewing the request and will be prepared at the January meeting to support approval of these two games.

The Administrator further stated that the Board may need to clarify its policies in order for these two new games to be played in Illinois. The Administrator asked the Board for guidance on what licensure treatment is to be given to firms or individuals that hold the rights or patent to a game. For both of these games the entities with the patent rights desire to enter a royalty payment agreement -- a contract with owner licensees. The patent holder would not supply the actual gaming device (table layouts). Instead, the entities will work through a separate contractual agreement authorizing existing Illinois licensed suppliers to provide the layouts for these games.

The Administrator noted two issues of concern. First, the Board should know something about the background of the individual or entity benefiting from the royalty payments. Second, staff has concerns about an entity's efforts to evade the supplier license fees and integrity and liability safeguards.

Chairman Johnson asked how the compensation stream to the patent holders would be structured. The Administrator stated the compensation would be based on a flat fee for the rights to the game.

The Chairman asked who would make the payment, the licensee or the supplier. The Administrator stated that there would be a "rights agreement" signed by the owner licensee and the holder of the royalty/licensing rights for a set of terms. He noted that this would be a contract with someone who is not a licensed supplier. The Administrator clarified for the Board that it is a gaming related contract but it does not involve a gaming device. The layout would have to be purchased from a licensed supplier and the supplier might have a separate relationship with the patent holder.

Chairman Johnson asked if there are any existing suppliers making royalty payments. The Administrator stated that there are two or three -- one being a pending applicant for a supplier's license.

RULES - The Administrator reported that staff received a request from owner licensees to modify the Board rules regarding the use of special chips for table games, tournaments and specialized computer microchips for use in EGD tournaments. The current rules do not allow for the use of these chips. The Administrator advised the Board that staff will meet with representatives of owner licensees to discuss the rules and regulatory implications. Staff will update the Board at the January, 1999 meeting.

The Chairman moved for consideration of the proposed 1999 Board meeting schedule.

Member Vickrey moved **that the Board approve the following Board meeting dates for the 1999 calendar year: January 19, February 16, March 16, April 27, May 18, June 15, July 20, August 10, September 7, October 26, and December 7.** Member Scrogum seconded the motion. The Board approved the motion unanimously by voice vote.

There being no further business to come before the Board, Member Scrogum moved **that the Board stand adjourned.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote and adjourned at 1:30 p.m.

Respectfully submitted,

Susan O. Weber
Secretary of the Board